

Processes to Report on Value Generation

Alberta Enterprise Corporation

Report of the Auditor General
December 2023

**Assessment of
Implementation Report**

**Auditor
General**
OF ALBERTA

The logo for the Auditor General of Alberta, featuring a stylized orange and white graphic element resembling a corner or a bracket.

About our Assessment of Implementation Report

Management is responsible for implementing our recommendations. We examine implementation plans and perform procedures to determine whether management has implemented our recommendations when management has asserted they have been implemented. We repeat our recommendations if we do not find evidence they have been implemented. We may also issue new recommendations for matters that come to our attention during our assessment.

Our assessments of implementation are conducted under the authority of the *Auditor General Act*. The Office of the Auditor General applies Canadian Standard on Quality Management 1. Accordingly, we have maintained a comprehensive system of quality control, including documented policies and procedures regarding compliance with applicable professional standards and applicable ethical, legal, and regulatory requirements.

Our office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality, and professional behaviour.

Outstanding Recommendations

Assessment of Implementation Report

Processes to Report on Value Generation

Alberta Enterprise Corporation

(November 2021)

Summary of Recommendations

We have completed our assessment of implementation of the outstanding recommendation related to Alberta Enterprise Corporation's processes to report on value generation.

IMPLEMENTED Recommendation:

Improve processes to measure, monitor, and report value generated by investment and ecosystem activities

Introduction

Performance reporting is reporting on financial and non-financial performance compared with a plan and targets. Performance measures quantify what management examines to assess the achievement of its desired results. Targets for these measures specify what the organization wants to achieve and by when. With clearly linked desired outcomes, measures, and targets, an organization can demonstrate the value it generates from its activities.

In 2021, we examined the effectiveness of AEC's processes to define its desired results and to measure, monitor, and report whether its venture capital investment activities generate value in accordance with its mandate under the *Alberta Enterprise Corporation Act*.

In August 2023, we completed our assessment of AEC's implementation of our recommendation to improve its processes to measure, monitor, and report value generated by its investment and ecosystem activities.

Recommendation:

Improve processes to measure, monitor, and report value generated by investment and ecosystem activities

IMPLEMENTED

Context

In 2021, we found that AEC could improve its performance reporting processes by:

- setting targets for the measures identified in its business plan
- monitoring and analyzing results compared to targets
- reporting, internally and externally, their analysis of the value it generated cost effectively, including lessons learned

Our current findings

AEC implemented our recommendation. Management applies a process linking its investment and ecosystem strategies to its organizational outcomes. Management developed one or more key performance indicators (KPIs) for each outcome. AEC's 2022-2023 business plan included 15 KPIs, eight of which were reported externally in the corporation's annual report. In its business plan, management documented its methodology for each KPI including method of calculation, data sources, and business rationale. Targets were set for each KPI. The target for one of the external KPIs, the cumulative value invested in Alberta companies by AEC's funds and syndicate investors, is set jointly with the Ministry of Technology and Innovation.³⁶

Management introduced a process to annually review the appropriateness and relevance of its KPIs and targets. The learnings from management's review of 2021-2022 results led to the introduction of new strategies in 2022-2023, such as the investment in Alberta-based micro funds to increase funds headquartered in Alberta and increased investor education and connectivity between Alberta's entrepreneurs and investors. For these new strategies, management developed new KPIs and targets. In its 2022-2023 business plan, management introduced four new KPIs and updated four previous KPI targets.

AEC's strategies, KPIs and targets were presented and approved by the board of directors as evidenced in meeting minutes. AEC does not make its business plan public as it contains sensitive or confidential information.

³⁶ The 2022-2023 target was determined with the Minister of Jobs, Economy and Innovation. Effective October 2022, the corporation was transferred to the Ministry of Technology and Innovation as part of a government restructuring.

Management monitors the performance of fund investments on a quarterly basis and documents the results of its analysis. Management developed a KPI tracking tool to monitor its progress toward achieving targets. The tool compares quarterly actual results to targets and actual results from the prior quarter, prior year, and five years ago (if information was available). Management's documentation of variance analysis and commentary at the individual KPI and target level are included in the tracking tool.

Management improved quarterly reporting to the board of directors with reports on organizational KPIs and targets including variance analysis. Management improved reporting to the Ministry of Technology and Innovation with a mid-year progress report of actual results to targets, variance analysis, and lessons learned.

Improved external reporting in AEC's 2022-2023 annual report was demonstrated by:

- a clear link between organizational outcomes, strategies, and KPIs
- a result analysis on all external KPIs with actual to target variance analysis
- lessons learned from previous results and what adjustments management made to its strategies, investment activities, and processes to adapt to AEC's changing environment